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SC PUBLIC SERVICE
COMMISSION

June 9, 2005

Via FedEx

Attn: Docketing Department
The Public Service Commission
State of South Carolina
Synergy Business Park
101 Executive Center Dr.
Columbia, SC 29210-8411

Re: Application of Matrix Telecom, Inc. for a Certificate of Public Convenience
and Necessity to Provide Local Exchange Telecommunications Services in the
State of South Carolina (SCPSC Docket #2005-98-C)

Dear Sir or Madam:

Please find enclosed for filing and original and 25 copies of the Testimony of Dennis Smith on behalf of Matrix Telecom, Inc. By copy of this letter and Certificate of Service appended to the Testimony, I am serving all parties of record.

pk Enclosed you will also find a self-addressed return shipping label, please return 1 file-stamped copy of the Testimony to us for our files.

Should you have any questions with respect to this matter, please do not hesitate to contact me at 405-717-9634 or via email kharris@matrixvalue.com.

Sincerely,

Karen Harris
Karen Harris
Legal Assistant

cc: Margaret M. Fox, Esq.

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ORS-1
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RECEIVED

Before the
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

In the Matter of)
)
the Application of MATRIX TELECOM, INC., for)
a Certificate of Public Convenience and Necessity)
to Provide Local Exchange Telecommunications)
Services in the State of South Carolina)
)
)

Docket No. 2005-98-C

TESTIMONY OF DENNIS SMITH
ON BEHALF OF
MATRIX TELECOM, INC.

RECEIVED
2005 JUN 10 PM 1:25
COMMUNICATIONS SECTION

June 9, 2005

RETURN DATE: OK - post mark - DD.

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I.

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INTRODUCTION

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 **A.**My name is Dennis Smith. My business address is Matrix Telecom, Inc., 300 N.
5 Meridian, Oklahoma City, OK 73107.

6 **Q. WHAT IS YOUR POSITION WITH MATRIX TELECOM, INC.?**

7 **A.**I am President of Matrix Telecom, Inc. (hereinafter "Matrix").

8 **Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT?**

9 **A.**In this capacity, I oversee all aspects of the company. Specifically, I manage the day-to-
10 day aspects of Matrix as well as set the direction for its future. Our employee headcount
11 is fairly fluid but for the past year has stayed at approximately 80 employees in three
12 primary office locations: Oklahoma City, Oklahoma, Dallas, Texas, and Downers Grove,
13 Illinois.

14 **Q. PLEASE DESCRIBE YOUR PREVIOUS PROFESSIONAL EXPERIENCE.**

15 **A.**Prior to joining Matrix, I served as Director of Business Development with Matrix's
16 parent company, Platinum Equity, LLC. My time was divided between acquisition work
17 and also assisting with the operational management of DCA Services, another portfolio
18 company located in Oklahoma City. Before working with DCA Services, I was Director
19 of Operations at Zenex Communications, Inc., and prior to that I was employed by
20 WorldCom for approximately 12 years.

21
22
23

II.

PURPOSE AND SUMMARY

23 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

1 **A.** I submit this testimony on behalf of Matrix Telecom, Inc. to demonstrate that Matrix's
2 application for authority to provide resold local exchange and interexchange
3 telecommunications services meets appropriate regulatory criteria and is in the public
4 interest for non-rural local exchange service areas. I also explain the services that Matrix
5 proposes to offer in South Carolina.

6 **Q. PLEASE SUMMARIZE THE MAIN POINTS OF YOUR TESTIMONY.**

7 **A.** My testimony will address several major points:

- 8 ♦ a description of Matrix's application for authority to provide local exchange
- 9 services;
- 10 ♦ a description of Matrix's managerial and technical qualifications;
- 11 ♦ a description of Matrix's financial qualifications;
- 12 ♦ a description of the specific services Matrix proposes to offer in South
- 13 Carolina; and
- 14 ♦ a demonstration that Matrix's proposed local exchange services are consistent
- 15 with the public interest in non-rural local exchange service areas.

16 **Q. PLEASE DESCRIBE THE AUTHORITY THAT MATRIX SEEKS FROM THE**
17 **COMMISSION.**

18 **A.** Matrix seeks authority to provide resold local exchange services in the non-rural areas of
19 South Carolina, as approved for such service by the Commission.

20 **Q. DOES MATRIX SEEK ANY WAIVERS OR VARIANCES OF CERTAIN**
21 **COMMISSION RULES AND REGULATIONS IN THIS PROCEEDING?**

22 **A.** No.

23 **III.**

MANAGERIAL QUALIFICATIONS

Q. HOW MANY PEOPLE DOES THE COMPANY EMPLOY?

A. Matrix currently employs 79 people.

Q. PLEASE OUTLINE MATRIX'S MANAGERIAL QUALIFICATIONS.

A. Matrix has the managerial resources necessary to provide customers in the State of South Carolina with high-quality local exchange and interexchange telecommunications services. The members of Matrix's senior management team have extensive management and telecommunications experience. Matrix is guided by a sophisticated and highly able management team that includes individuals who have distinguished themselves over the past two decades in executive positions at top communications firms in America. Biographies setting forth the backgrounds and experience of Matrix's management team are attached to this pre-filed testimony.

Q. HAS MATRIX PROVIDED SERVICE UNDER ANY OTHER NAME?

A. No.

Q. PLEASE PROVIDE THE NAME, ADDRESS, TELEPHONE, AND FAX NUMBER OF THE PERSON AT MATRIX THAT WILL BE RESPONSIBLE FOR WORKING WITH THE COMMISSION'S CONSUMER SERVICES DIVISION FOR COMPLAINT RESOLUTION.

A. The person designated by Matrix to respond to complaints and inquiries from the Commission is Betty Smith, 300 N. Meridian, Oklahoma City, Oklahoma, 73107, telephone number (405) 717-9672, fax number (405) 951-6312.

Q. DOES MATRIX HAVE MECHANISMS IN PLACE FOR RECEIVING INQUIRIES OR COMPLAINTS FOR CUSTOMERS?

1 A. Yes. Customer inquiries and complaints will be handled by representatives at Matrix's
2 Customer Service Center. The toll-free number for Matrix's Customer Service Center is
3 (800) 829-9866. This number will be printed on customer bills. Customer service
4 matters and complaints may also be submitted in writing to Betty Smith, 300 N.
5 Meridian, Oklahoma City, OK 73107.

6 **Q. WHO WILL PROVIDE CUSTOMER REPAIR SERVICE FOR MATRIX?**

7 A. The underlying carriers.

8 **Q. HOW DOES MATRIX PLAN TO SOLICIT CUSTOMERS ONCE IT BEGINS TO**
9 **PROVIDE SERVICE?**

10 A. Matrix will solicit customers primarily through direct sales.

11 **Q. WILL MATRIX ABIDE BY FEDERAL AND STATE SLAMMING LAWS?**

12 A. Yes.

13 **Q. DOES MATRIX HAVE PROCEDURES IN PLACE TO PREVENT THE**
14 **UNAUTHORIZED SLAMMING OF CUSTOMERS?**

15 A. Yes. Matrix will send new customers an order package which contains service order
16 verification forms to be completed and signed by the customer including a letter of
17 authorization identifying Matrix as the Primary Interexchange Carrier, which must be
18 photocopied on to the customer's letterhead. An order placed without these forms
19 properly executed will be rejected. Upon receipt of properly executed forms, Matrix will
20 make a follow-up telephone call to the customer to verbally verify the new order. Each
21 sales agent must attend multiple sales training sessions and follow the protocol outlined
22 above to ensure that new customers affirmatively select Matrix to provide services.
23 Matrix sales personnel must complete a standard orientation and must follow the protocol
24 outlined above to ensure that new customers affirmatively select Matrix to provide

1 services. Matrix requires that all of its sales personnel sign an affidavit stating that they
2 have not in the past been, and are not now, under investigation for "slamming" or
3 "cramming," and that they will follow all rules and regulations relative to said practices.

4 **Q. HAVE ANY COMPLAINTS OR JUDGMENTS BEEN LEVIED AGAINST**
5 **MATRIX IN SOUTH CAROLINA, ANOTHER STATE, OR AT THE FEDERAL**
6 **COMMUNICATION COMMISSION?**

7 **A.** Yes. A Complaint Log is attached to this pre-filed testimony.

8 **Q. WILL MATRIX COMPLY IN ALL RESPECTS WITH THE APPLICABLE**
9 **PORTIONS OF THE CODE OF LAWS OF SOUTH CAROLINA, AS THEY**
10 **RELATE TO TELEPHONE UTILITIES, INCLUDING BUT WITHOUT**
11 **LIMITING THOSE RULES PERTAINING TO CREDIT, BILLING, DEPOSITS,**
12 **TERMINATION OF SERVICE, CRAMMING AND SLAMMING?**

13 **A.** Yes

14 **IV.**

15 **TECHNICAL QUALIFICATIONS**

16 **Q. PLEASE DESCRIBE MATRIX'S TECHNICAL QUALIFICATIONS.**

17 **A.** The senior management team has extensive technical and telecommunications
18 experience, and has been instrumental in the design, implementation and operation of several
19 telecommunications networks.

20 **V.**

21 **FINANCIAL QUALIFICATIONS**

22 **Q. PLEASE DESCRIBE MATRIX'S FINANCIAL QUALIFICATIONS.**

23 **A.** Matrix has ample capital to provide the services for which authority is requested. A copy
24 of Matrix's year end 2004 financial statements were filed with the Application. Matrix
25 has more than enough financial capability to serve its customers.

1 **Q. WILL MATRIX RECORDS BE MAINTAINED IN ACCORDANCE WITH**
2 **GAAP?**

3 **A. Yes.**

4 **Q. WILL MATRIX MAINTAIN ITS RECORDS IN SUFFICIENT DETAIL TO**
5 **FACILITATE THE CALCULATION OF ALL APPLICABLE TAXES?**

6 **A. Yes.**

7 **Q. DOES THE ACCOUNTING SYSTEM CURRENTLY IN USE BY MATRIX**
8 **PROVIDE SUFFICIENTLY DETAILED DATA FOR THE PREPARATION OF**
9 **SOUTH CAROLINA TAX RETURNS?**

10 **A. Yes.**

11 **VI.**

12 **MATRIX'S PROPOSED SERVICES**

13 **Q. PLEASE DESCRIBE THE TYPES OF SERVICES THAT MATRIX WILL**
14 **OFFER IN SOUTH CAROLINA.**

15 **A.** Matrix intends to resell all lawful non-rural incumbent local exchange carrier ("ILEC")
16 services available for resale, as well as 1+, -800/-888, message toll service, wide area
17 telephone service, and travel (post-paid) calling cards to business customers throughout
18 the State of South Carolina. Matrix will not offer debit (prepaid) calling cards or 900
19 services.

20 **Q. WHAT GEOGRAPHIC AREAS WILL MATRIX SERVE?**

21 **A.** Matrix requests authority to provide resold, non-facilities-based local exchange
22 telecommunications services in the non-rural areas of the State of South Carolina.

1 **Q. WILL MATRIX OFFER SERVICE TO ALL CONSUMERS WITHIN ITS**
2 **SERVICE AREA?**

3 **A. Yes. Matrix will serve any customer within its service area, subject to the availability of**
4 **the necessary facilities and/or equipment, and subject to the provisions of its tariff.**

5 **Q. WILL MATRIX'S TARIFFS CONTAIN ALL OF ITS RATES AND CHARGES**
6 **AS REQUIRED FOR INTRASTATE TELEPHONE SERVICES?**

7 **A. Yes. All rate elements will be set forth in a readily ascertainable form. Matrix's tariffs**
8 **will list specific rate levels for each service and service element, and will otherwise**
9 **comply with the Commission's Rules.**

10 **Q. PLEASE PROVIDE THE NAME, ADDRESS, TELEPHONE AND FAX NUMBER**
11 **OF MATRIX'S 911 CONTACT PERSON.**

12 **A. Judith A. Riley, Regulatory Counsel, Telecom Professionals, Inc., 2912 Lakeside Drive,**
13 **Oklahoma City, OK 73120, telephone number (405) 755-8177, facsimile number (405)**
14 **755-8377.**

15 **Q. WILL MATRIX CONTACT AND ESTABLISH A WORKING RELATIONSHIP**
16 **WITH THE 911 SYSTEMS WHEN YOU BEGIN TO PROVIDE LOCAL**
17 **TELEPHONE SERVICE?**

18 **A. Yes.**

19 **Q. WILL MATRIX COORDINATE WITH THE ILECS AND LOCAL 911 SYSTEMS**
20 **TO PROVIDE TRANSPARENT SERVICE FOR YOUR LOCAL EXCHANGE**
21 **CUSTOMERS?**

22 **A. Yes.**

1 **Q. WHO WILL BE RESPONSIBLE FOR BUILDING AND MAINTAINING THE 911**
2 **DATABASE FOR MATRIX'S LOCAL EXCHANGE CUSTOMERS?**

3 **A.** Matrix will contract with its underlying carrier(s) to build and maintain the 911 database
4 for Matrix's local exchange customers.

5 **Q. HOW OFTEN WILL MATRIX UPDATE THE 911 DATABASE WITH**
6 **CUSTOMER INFORMATION?**

7 **A.** Matrix will provide new information to its underlying carrier, when necessary (*i.e.*, when
8 Matrix obtains a new local exchange customer or is advised of a change warranting an
9 update).

10 **VII.**

11 **PUBLIC INTEREST CONSIDERATIONS**

12 **Q. PLEASE DESCRIBE THE PUBLIC INTEREST BENEFITS ASSOCIATED WITH**
13 **MATRIX'S PROPOSED OFFERING OF TELECOMMUNICATIONS SERVICES**
14 **IN SOUTH CAROLINA.**

15 **A.** Matrix submits that Commission approval of its application to provide competing
16 telecommunications services in non-rural areas of the State of South Carolina is in the
17 public interest, as Matrix's market entry will bring a host of benefits to the State's
18 telecommunications users. Included among those benefits are the following:

19 (i) increased diversity in the supply of telecommunications providers, which
20 will offer additional and new consumer choices;

21 (ii) the entry of new telecommunications providers into the State's
22 telecommunications marketplace, which will have no adverse impact upon

1 prices; instead, it will introduce competitive pressures that will foster
2 lower prices;

3 (iii) the entry of new telecommunications providers into the State's
4 telecommunications marketplace, which will enhance competitive
5 pressures that will foster higher quality service from all providers.

6 Granting Matrix's application will introduce a telecommunications service provider
7 committed to providing high quality, innovative, and technologically advanced services
8 that will further increase telecommunications competition within the State of South
9 Carolina. Matrix's service offerings will increase consumer choice, improve the quality
10 and efficiency in telecommunications services and will likely lead to the reduction of
11 consumer costs, as well as stimulate development of additional services by providing
12 competitive incentives to other providers. Thus, granting Matrix's application is in the
13 public interest.

14 **Q. WILL MATRIX COMPLY WITH ALL SOUTH CAROLINA**
15 **REGULATORY REQUIREMENTS APPLICABLE TO MATRIX'S PROPOSED**
16 **OPERATIONS?**

17 **A.** Yes.

18 **VIII.**

19 **CONCLUSION**


20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 **A.** Yes, it does.


1 **STATE OF OKLAHOMA**)
2) **ss.**
3 **COUNTY OF OKLAHOMA**)
4

5 **AFFIDAVIT**

6 I, Dennis Smith, first being duly sworn upon oath depose and say that I am the President of
7 Matrix Telecom, Inc., the Applicant, and that I have read the above and foregoing pre-filed
8 testimony by me subscribed and know the contents thereof, which testimony was filed in support
9 of Matrix Telecom, Inc.'s Application for a Certificate of Public Convenience and Necessity to
10 Provide Local Exchange Telecommunications Services in the State of South Carolina; that said
11 contents are true in substance and in fact, except as to matters stated upon information and belief,
12 and as to those, I believe the same to be true.

13
14 
15 Dennis Smith
16 President
17

18
19 Sworn to and subscribed before me
20 this _____ day of June 9, 2005.

21 
22 Notary Public
23
24

25 My Commission Expires:

26 July 18, 2005
27 # 01012005

Matrix Telecom, Inc.

Complaint Log

January 2004 - Current

Jurisdiction	Date Opened	Date Closed	Complaint Type	Resolution
CA	03/03/04	03/10/04	Billing	Act acct at acquisition in 2000 - W/O 3/7/2001 - Pulled from collections never notified us to cancel service, never paid his last id charges - pulled from coll Cust never pd last bill for serv provided - W/O 3/7/2001
MA	03/04/04	03/08/04	Billing	Provided PSC with VLOG verification. op 6/7/96 & cl 1/16/2000 W/O 3/7/2001 for serv prov
NY	04/19/04	04/20/04	Billing	Sent VLOG authorizatn & per VT requirement issued full credit to the cust acct + a refund check for pymt made
KY	10/12/04	10/29/04	Slamming	Sent VLOG authorizatn to PSC - AC closed per dispute
OH	10/26/04	11/05/04	Billing	Acct Op 2/16/95 & CL 11/15/04 - When she did the 10-10-555 dial-a-round it went to Matrix resell acct
VT	01/25/05	02/07/05	Billing	Cust called MTX to cancel serv 30 min after signed up with Sales Rep. However, when called in the account had not been set-up in MTX database yet. Acct closed per CARE Pic dispute 2/15/2005. Per dispute issuing full credit.
TX	02/03/05	02/07/05	Slamming	Customer states never authorized serv w/ Matrix or its affiliates. Also stated company played tape stating he gave authorization but customer disputes this and states voice and information on tape does not belong to him. Cust states is customer of IDT and still receiving bill from IDT.
NY	02/24/05	03/04/05	Slamming	
MO	03/10/05		Slamming	
NY	03/15/05	03/18/05	Slamming	

Confidential Information

Page 1 of 1

Management Team

The Company has assembled a highly qualified management team with extensive experience within the telecommunications industry. The Company believes that it can draw upon the past experiences of its collective management team to continue the development and execution of its business plan. The Company's management team has developed start-up enterprises into major telecommunications companies.

Dennis Smith, President – 41, over 16 years of telecom experience. Hired by Platinum Equity Holdings (PEH) in Jun 1998 as Vice President – Business Development responsible for PEH's expansion into the telecommunications sector. He was named President of Matrix in Feb 2002. Mr. Smith served in various management positions within network and operations with ATC Long Distance (subsequently LDDS, WilTel, and WorldCom) from 1987 to 1997. Mr. Smith was named as Vice President – Operations for Zenex Communications in 1997 and served until joining PEH in June 1998. Mr. Smith holds a degree in Microcomputer Electronics from Oklahoma State University.

Charles G. Taylor, Jr., Chief Financial Officer – 46, over 17 years of telecom experience. Hired as CFO in October 2001 with responsibility for all finance, accounting, collections and regulatory affairs. Formerly Founder and VP – Finance for VarTec Telecom (1987 – 1990), Founder and COO for Matrix Telecom, Inc. (1990 – 1996), EVP – Retail Business Development for Pacific Gateway Exchange (1996 – 2000) and Founder and President of Local Gateway Exchange (2000 – 2001). Mr. Taylor graduated cum laude with a BS-Accounting from Lamar University and has been a Certified Public Accountant in Texas since 1984.

Greg L. Taylor, Vice President and General Counsel – 39, over 11 years of telecom experience. Prior to his appointment as General Counsel for Matrix, he served as Directory – Legal & Regulatory Affairs for DCA Services, a well-known industry provider of billing and back-office services to the telecommunications and cable television industry. Prior to his work at Matrix and DCA, he served in various operating management roles with Zenex Communications and TouchTone Solutions, Inc. Mr. Taylor has a Juris Doctor from Oklahoma City University, a Master of Arts in Communications from Regent University, and a Bachelor of Science in Business Administration from Southern Nazarene University.

Stephanie Reese, Executive Vice President – Sales and Marketing – 36, over 6 years of telecom experience and over 15 years of marketing and management. Ms. Reese has worked with companies such as American Airlines, Philip Morris, Coca-Cola, WebLink Wireless and BeautiControl Cosmetics. She also owned and operated her own private consulting business for three years specializing in marketing management, financial consulting and strategic planning for small and medium sized companies. Ms.

Reese earned her BBA in Marketing Management from the University of North Texas. And has an MBA with emphasis in Marketing from the University of Texas in Austin.

Steve Aduddell, Vice President – 53, over 24 years of telecom switching and operations experience in management positions with Southwestern Bell Telephone, AT&T Communications, Access Communications Services, Zenex Communications, and Lorecom Technologies. He has successfully guided Matrix over the last three (3) years from a switchless reseller to a facilities-based provider of telecom services. He is a graduate of Central State University in Edmond, Oklahoma.

**Before the
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

In the Matter of)

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Docket No. 2005-98-C

CERTIFICATE OF SERVICE

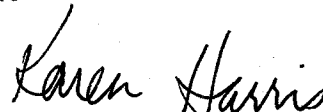
I, Karen Harris, do hereby certify that I have this date served one (1) copy of the foregoing
Testimony of Dennis Smith on Behalf of Matrix Telecom, Inc. upon the following party of record by
causing said copy to be delivered via FedEx First Overnight delivery:

**Margaret M. Fox
McNair Law Firm
11th Floor, Bank of America Tower
1301 Gervais Street
Columbia, South Carolina 29201**

and twenty-five (25) copies upon the following party of record by causing said copy to be delivered via
FedEx First Overnight delivery:

**Docketing Department
The Public Service Commission
State of South Carolina
Synergy Business Park
101 Executive Center Dr.
Columbus, SC 29210**

**June 9, 2005
Oklahoma City, Oklahoma**



**Karen Harris, Legal Assistant
Matrix Telecom, Inc.
300 N. Meridian, Ste. 200N
Oklahoma City, OK 73107
(405) 717-9634**